

OPEN MEETING



0000151410

MEMORANDUM

RECEIVED

TO: THE COMMISSION

2014 FEB 26 P 3:42

FROM: Utilities Division

ORIGINAL

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

DATE: February 26, 2014

RE: TUCSON ELECTRIC POWER COMPANY - APPLICATION FOR APPROVAL OF
REVISED RIDER R-3 MARKET COST OF COMPARABLE CONVENTIONAL
GENERATION (DOCKET NO. E-01933A-14-0032)

Background

On February 3, 2014, Tucson Electric Power Company ("TEP" or "Company") filed an application for approval of its revised Rider R-3 Market Cost of Comparable Conventional Generation ("MCCCG") which is used in conjunction with Rider R-4, Net Metering for Certain Partial Requirements Service ("NM-PRS"). TEP's Rider R-3 specifies the methodology for calculating the rate to be paid for purchases of excess energy from Net Metering Facilities. The rate is listed on the TEP Statement of Charges. The last revision of the Rider R-3 rate was approved by the Commission's Decision No. 73771 (March 21, 2013).

For Net Metering customers, each calendar year, for customer bills produced in October (September usage) or for a customer's "final" bill, the Company credits the customer for any balance of excess kWhs remaining. The payment for the purchase of these excess kWhs is at the Company's applicable avoided cost. TEP has defined its avoided cost as the average hourly market cost of comparable conventional generation as specified on its Rider R-3 applicable to NM-PRS. Rider R-3 indicates that the MCCCG will be filed annually (by February 1) by TEP for approval by the Commission.

Proposed Tariff

TEP's proposed revision to the Rider R-3 rate reflects a higher MCCCG and therefore increases the avoided cost rate from 2.524¢ per kWh to 2.666¢ per kWh for purchases of excess energy from Net Metering Facilities.

Staff has reviewed TEP's hourly marginal costs that resulted in the 2.666¢ rate and finds the data and calculations to be reasonable.

Arizona Corporation Commission

DOCKETED

FEB 26 2014

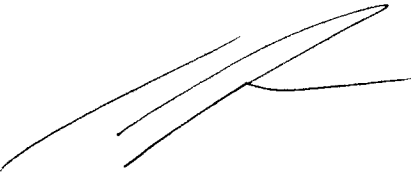
DOCKETED BY

Recommendations

Staff recommends that TEP's revised Rider R-3 MCCCCG as applicable to Rider R-4 NM-PRS be approved.

Staff further recommends that the avoided cost rate of 2.666¢ per kWh should be effective as of April 1, 2014.

Staff further recommends that TEP file a Statement of Charges consistent with the Decision in this case within 15 days of the effective date of the Decision.



Steven M. Olea
Director
Utilities Division

SMO:JJP:sms\CHH

ORIGINATOR: Jeffrey Pasquinelli

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **BOB STUMP**

Chairman

3 **GARY PIERCE**

Commissioner

4 **BRENDA BURNS**

Commissioner

5 **BOB BURNS**

Commissioner

6 **SUSAN BITTER SMITH**

Commissioner

7
8 IN THE MATTER OF TUCSON ELECTRIC)
9 POWER COMPANY'S APPLICATION FOR)
10 APPROVAL OF REVISED RIDER R-3)
11 MARKET COST OF COMPARABLE)
12 CONVENTIONAL GENERATION.)
13

DOCKET NO. E-01933A-14-0032

DECISION NO. _____

ORDER

14 Open Meeting
15 March 11 and 12, 2014
16 Phoenix, Arizona

16 BY THE COMMISSION:

17 **FINDINGS OF FACT**

18 1. Tucson Electric Power Company, Inc. ("TEP" or "Company") is certificated to
19 provide electric service as a public service corporation in the State of Arizona.

20 **Background**

21 2. On February 3, 2014, TEP filed an application for approval of its revised Rider R-3
22 Market Cost of Comparable Conventional Generation ("MCCCG") which is used in conjunction
23 with Rider R-4, Net Metering for Certain Partial Requirements Service ("NM-PRS"). TEP's Rider
24 R-3 specifies the methodology for calculating the rate to be paid for purchases of excess energy
25 from Net Metering Facilities. The rate is listed on the TEP Statement of Charges. The last
26 revision of the Rider R-3 rate was approved by the Commission's Decision No. 73771 (March 21,
27 2013).

28 ...

1 3. For Net Metering customers, each calendar year, for customer bills produced in
2 October (September usage) or for a customer's "final" bill, the Company credits the customer for
3 any balance of excess kWhs remaining. The payment for the purchase of these excess kWhs is at
4 the Company's applicable avoided cost. TEP has defined its avoided cost as the average hourly
5 market cost of comparable conventional generation as specified on its Rider R-3 applicable to NM-
6 PRS. Rider R-3 indicates that the MCCCCG will be filed annually (by February 1) by TEP for
7 approval by the Commission.

8 **Proposed Tariff**

9 4. TEP's proposed revision to the Rider R-3 rate reflects a higher MCCCCG and
10 therefore increases the avoided cost rate from 2.524¢ per kWh to 2.666¢ per kWh for purchases of
11 excess energy from Net Metering Facilities.

12 5. Staff has reviewed TEP's hourly marginal costs that resulted in the 2.666¢ rate and
13 finds the data and calculations to be reasonable.

14 **Recommendations**

15 6. Staff has recommended that TEP's revised Rider R-3 MCCCCG as applicable to
16 Rider R-4 NM-PRS be approved.

17 7. Staff has further recommended that the avoided cost rate of 2.666¢ per kWh should
18 be effective as of April 1, 2014.

19 8. Staff has further recommended that TEP file a Statement of Charges consistent with
20 the Decision in this case within 15 days of the effective date of the Decision.

21
22 **CONCLUSIONS OF LAW**

23 1. TEP is an Arizona public service corporation within the meaning of Article XV,
24 Section 2, of the Arizona Constitution.

25 2. The Commission has jurisdiction over TEP and over the subject matter of the
26 application.

27 3. Approval of the revised Rider R-3 MCCCCG does not constitute a rate increase as
28 contemplated by A.R.S. Section 40-250.

1 4. The Commission, having reviewed the application and Staff's Memorandum dated
2 February 26, 2014, concludes that the revised Rider R-3 MCCCCG should be approved as discussed
3 herein.

4 ORDER

5 IT IS THEREFORE ORDERED that Tucson Electric Power Company's revised Rider R-3
6 Market Cost of Comparable Conventional Generation as applicable to Rider R-4 is approved as
7 discussed herein.

8 ...

9 ...

10 ...

11 ...

12 ...

13 ...

14 ...

15 ...

16 ...

17 ...

18 ...

19 ...

20 ...

21 ...

22 ...

23 ...

24 ...

25 ...

26 ...

27 ...

28 ...

1 IT IS FURTHER ORDERED that the avoided cost rate of 2.666¢ per kWh should be
2 effective as of April 1, 2014.

3 IT IS FURTHER ORDERED that Tucson Electric Power shall file in Docket Control a
4 Statement of Charges consistent with the Decision in this case within 15 days of the effective date
5 of the Decision.

6 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

7
8 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

9
10 CHAIRMAN

COMMISSIONER

11
12
13 COMMISSIONER

COMMISSIONER

COMMISSIONER

14
15 IN WITNESS WHEREOF, I, JODI JERICH, Executive
16 Director of the Arizona Corporation Commission, have
17 hereunto, set my hand and caused the official seal of this
18 Commission to be affixed at the Capitol, in the City of
19 Phoenix, this _____ day of _____, 2014.

20 _____
21 JODI JERICH
22 EXECUTIVE DIRECTOR

23
24 DISSENT: _____

DISSENT: _____

25 SMO:JJP:sms/CHH
26
27
28

Decision No. _____

1 SERVICE LIST FOR: Tucson Electric Power Company
2 DOCKET NO. E-01933A-14-0032

3 Ms. Kimberly A. Ruht
4 Regulatory Attorney
5 Tucson Electric Power Company
6 88 East Broadway Blvd.
7 P.O. Box 711
8 Tucson, Arizona 85702

9 Mr. Steven M. Olea
10 Director, Utilities Division
11 Arizona Corporation Commission
12 1200 West Washington Street
13 Phoenix, Arizona 85007

14 Ms. Janice M. Alward
15 Chief Counsel, Legal Division
16 Arizona Corporation Commission
17 1200 West Washington Street
18 Phoenix, Arizona 85007
19
20
21
22
23
24
25
26
27
28